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September 21, 2005

Re: Mitigating the effects of high natural gas price increases this winter; UNS Gas surcharge request, Docket No. G-04204A-05-0596.

Dear Parties to the Docket:

After reading the Staff report on the UNS Gas surcharge request I am more convinced than ever that we must explore every option to try to mitigate the cost of natural gas this winter.

High natural gas costs are hitting hard all across the country and utilities and regulators elsewhere are seeking out creative ways to soften the blow of these increases. I believe several of these options should be analyzed by Staff and the Company as we go forward with our examination of the UNS Gas request.

First, I would like Staff and the Company to examine an approach being taken by Florida Power and Light to curtail the impact of high natural gas costs on electricity rates in FP&L's service territory. Specifically, FP&L requested that the Florida Public Service Commission approve a two-tiered fuel adjustment clause that would provide a lower adjustment factor for customers who use less than 1,000 kWh a month. This move is apparently designed to help at least some FP&L ratepayers while encouraging conservation among all consumers.

I would like to know whether this approach is transferable to the UNS natural gas service territory. For instance, could we waive the proposed surcharge increase for all customers who use fewer than a given therm threshold per month<sup>1</sup>, thereby sparing them from the surcharge while possibly encouraging some to reduce their usage below that level? Specifically, I would like the Company and Staff to comment on the merits of implementing this in the UNS Gas service territory. I would also like the Company and Staff to draft a proposed rate option that implements the tiered method.

Second, I am very concerned about the affect that an increase of the magnitude being requested by UNS Gas could have on the ability of low and fixed income residents to pay their bills this winter, and the potential for a dramatic increase in the number of people who may be subject to disconnection. In the face of the potentially disastrous effects on health and safety from shut-offs at the height of winter, I believe we must look at ways to prevent such service disruptions.

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<sup>1</sup> Data from January, 2004 indicate that the average peak therm usage by residential customers in the UNS Service territory was 113 therms. This averaged number – which takes in UNS' entire service territory, including Santa Cruz County – is most likely not entirely accurate for customers in the colder climates of UNS, such as Prescott and Flagstaff, where therm usage is bound to be greater.

The ACC has the ability to address disconnections. Under AAC R14-2-301.49, the ACC has broad latitude to determine weather conditions that are especially dangerous to health.<sup>2</sup> AAC R14-2-311.5 states that "A utility shall not terminate residential service where the customer has an inability to pay and: (c) Where weather will be especially dangerous to health as defined herein or as determined by the Commission."

Therefore, I would like Staff and the Company to analyze the possibility of a Commission Order prohibiting UNS Gas from conducting disconnections, not related to safety concerns such as leaks or repairs, during the winter season – from December through March. I would also like to know whether the Company could be required to implement a reasonable payment program for individuals who may be struggling to pay their bills but who commit to pay their bills over time or who are able to show that they have obtained assistance with their bills from a community agency, faith-based organization or charity.

Of course, a temporary moratorium on disconnections could also be accomplished voluntarily by UNS, as it did during the winter of 2003-2004.

Thank you for your consideration of these potential measures.

Sincerely,



Kris Mayes  
Commissioner

Cc: Chairman Jeff Hatch-Miller  
Commissioner Marc Spitzer  
Commissioner William Mundell  
Commissioner Mike Gleason  
Ernest Johnson  
Stephen Ahearn

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<sup>2</sup> "Weather especially dangerous to health." That period of time commencing with the scheduled termination date when the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed 32 degrees Fahrenheit for the next day's forecast. *The Commission may determine that any other weather conditions are especially dangerous to health as the need arises.* (emphasis added)